

**STATEMENT OF
MR. SLOAN D. GIBSON
DEPUTY SECRETARY,
DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS
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Good morning, Mr. Chairman and Members of the Committee. I am here this morning to update the Committee on the status of the construction of the replacement medical center in Denver. Joining me today is Mr. Dennis Milsten, Director for the VA Construction and Facilities Management Office of Operations.

The Department's main priority regarding the Denver project is to complete this facility without further delay, and to do that while delivering the best possible value to taxpayers given the difficult circumstances that have occurred. Our commitment to completing this project intended to serve 390,000+ Colorado Veterans and their families has never wavered, and current VA medical facilities and programs continue to ensure that no Veteran or their families goes unserved .

We are working aggressively to rebuild trust, improve service delivery, and pursue longer-term excellence and reform. This includes initiatives like *MyVA*, which involves building a world-class, customer-focused, Veteran-centered organization, and strengthening the efficiency and effectiveness of our array of support services.

Completion of the Denver replacement medical facility is important to improving access to care and services, and I again apologize for the delays that have occurred. Let me review where we are on this project.

The Department was notified on December 9, 2014, of the decision by the Civilian Board of Contract Appeals in favor of the construction contractor, Kiewit-Turner, thus allowing it the option to stop work. VA immediately contacted the contractor to determine a course of action to continue construction to complete the facility. I personally met with Kiewit-Turner leadership to forge a way ahead that would avoid the delay and disproportionate costs of stopping and re-starting construction activity immediately ahead of the holiday season.

VA reached an interim agreement on December 17, 2014, that was subsequently signed on December 22, 2014. As part of the interim contract, the U.S. Army Corps of Engineers (USACE) is on site to provide technical and management advice. This will also allow USACE the time to review the specifics of the project and formulate the final plans to negotiate and administer a long-term agreement for construction completion.

We have undertaken a comprehensive review of VA's major construction program and have taken numerous actions to strengthen and improve execution of our on-going major construction projects. With the acceptance and closure of the

April 13, 2013, Government Accountability Office report recommendations and the implementation of the Construction Review Council recommendations, VA has significantly changed the way it conducts business, but more work remains to be done.

To help ensure that previous challenges are not repeated and to lead improvements in the management and execution of our capital asset program as we move forward, we will continue to focus on these lessons learned:

- Integrated master planning to ensure that the planned acquisition closes the identified gaps in service and corrects facility deficiencies.
- Requiring major medical construction projects to achieve at least 35 percent design prior to cost and schedule information being published and construction funds requested.
- Implementing a deliberate requirements control process, where major acquisition milestones have been identified to review scope and cost changes based on the approved budget and scope.
- Institutionalizing a Project Review Board (PRB) – VA's Office of Acquisition, Logistics, and Construction worked with USACE to establish a PRB for VA that is similar to the structure at the USACE District Offices. The PRB regularly provides management with metrics and insight to indicate if/when the project requires executive input or guidance.
- Using a Project Management Plan – outlines for accomplishing the acquisition from planning to activation to ensure clear communication throughout the project.

- Establishment of VA Activation Office – Ensures the integration of the facility activation into the construction process for timely facility openings.
- Conducting pre-construction reviews – Major construction projects must undergo a “constructability” review by a private construction management firm to review design and engineering factors that facilitate ease of construction and ensure project value.
- Integrating Medical Equipment Planners into the construction project teams – Each major construction project will employ medical equipment planners on the project team from concept design through activation.

These improvements are being applied to the 53 on-going major construction projects and our other major medical center construction projects, including the Orlando replacement facility, where construction is scheduled to be completed at the end of February, and our New Orleans replacement facility, which is currently on schedule, and is anticipated to be completed in the fall of 2016.

In the past five years, VA has delivered 75 major construction projects valued at over \$3 billion that include the new medical center complex in Las Vegas; cemeteries; polytrauma rehabilitation centers; spinal cord injury centers; a blind rehabilitation center; and community living centers. This is not to diminish our concerns over the mistakes that led to the current situation on the Denver project, but only to remind that we have successfully managed numerous projects through our major construction program. VA takes full responsibility for the situation in Denver and we will continue to review our

major construction program and the details of this project to improve our performance. In addition, as identified in section 201 of the Veterans' Access, Choice, and Accountability Act of 2014, VA's capital management program will undergo an independent assessment, which will be provided to you within 60 days of its conclusion.

In closing, each day, VA is moving toward its goal of improving and streamlining our processes to increase access to our Veterans and their families. I am personally committed to completing the Denver project without further delay and to do that while delivering the best possible value to taxpayers given the difficult circumstances that have occurred. Bottom line: We want to do what is right for Colorado Veterans and to get the Denver medical facility back on track in the most effective and cost efficient way.

This committee has been a strong and supportive advocate for Veterans' health care, and VA will continue its efforts to be transparent about the construction of the Denver replacement facility.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to testify before the Committee today. My colleague and I would be pleased to respond to questions from you and Members of the Committee.